



PUBLIC INTEREST ADVOCACY CENTRE
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March 9, 2021

VIA E-MAIL

Christine E. Long
Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

**Re: Espanola Regional Hydro Distribution Corporation (ERHDC)
EB-2020-0020 2021 Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

In accordance with Procedural Order No. 1 in the above noted proceeding please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:
Mr. Tyler Kasubeck, Rates and Regulatory Affairs Officer
tyler.kasubeck@ssmpuc.com

John A.D. Vellone, Borden LadnerGervais LLP
jvellone@blg.com

REQUESTOR NAME	VECC
TO:	Espanola Regional Hydro Distribution Corporation (ERHDC)
DATE:	March 9, 2021
CASE NO:	EB-2020-0020
APPLICATION NAME	2021 COS Rate Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, page 11

- a) Please confirm (or correct) that no COVID-19 related costs (OM&A or capital) have been forecast for the test year of this application.

1.0-VECC-2

Reference: Exhibit 1, page 22

- a) Please confirm that ERHDC's Conditions of Service have been updated to include all of the Board's updated directions since 2012.

1.0-VECC-3

Reference: Exhibit 1, pages 46, 53

Billing Problems – In 2019, 12% of customer respondents had a billing problem in the past 12 months, compared to 20% in 2017 and 17% in 2015. This reflects positive changes in customer service. 90% stated ERHDC provides accurate billing.

- a) While ERHDC has been able to reduce its billing problems they remain comparatively high. Please explain the most common errors encountered and what steps the Utility is taking to address these problems.
- b) EHRDC's telephone response time remains significantly below Ontario industry and OEB standards. How is the "fully trained team" different from what existed in the past? Why is the target for calls answered (65% shown in Table 1-23) set below the industry standard of 90%?

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -4

Reference: Exhibit 2,

- a) Please explain why ERHDC is unable to provide the actual gross capital spending amounts for the years 2012 through 2016.
- b) Please describe what asset records were kept for this period.
- c) In 2014 and 2015 ERHDC made returns on equity far in excess of Board approved amounts. In 2014 ERHDC spent significantly less on capital assets than in prior years. What evidence is ERDHC providing to show that these extraordinary returns were not made by deferring necessary capital spending and harvesting asset values?

2.0-VECC -5

Reference: Exhibit 4, Appendix 4-A, Schedule C, page 3

- a) The Proposed Services of PUC Services include the term: *"5. Preparation of annual capital and OM&A budgets including a five-year forecast."* When was the last 5-year capital and OM&A forecast produced for ERHDC?

2.0-VECC -6

Reference: Exhibit 2, page 20 & Appendix 2-BA

- a) What was the salvage value of the transportation equipment disposed of in 2019?

2.0-VECC -7

Reference: Exhibit 2, Appendix 2-BA

- a) Please explain the meaning of the "Adjustment" columns of assets additions in the 2013 (\$117,931) and 2015 (\$259,198) continuity schedules.

2.0-VECC -8

Reference: Exhibit 2, page 22, 43-44 & Appendix 2-BA

- a) ERHDC states that \$1,695,956 is being added in 2020 for the ICM projects. Appendix 2-BA under the column entitled *"Adjustment Sub 4 ICM"* it shows

an amount of \$259,198 for a total of \$1,955,154. Please reconcile this with the ICM actual cost of \$1,967,931.

- b) Please provide the amount of depreciation taken on the ICM assets for each year 2014 through 2020 for these assets and confirm.
- c) Please confirm (or correct) that a full year's depreciation was taken in 2014, the year the ICM assets went into service.

2.0-VECC -9

Reference: Exhibit 2, page 49 & Appendix 2-B DSP page 21 Table 2-9

- a) Please provide the 2020 SAIDI/SIAFI reliability statistics for Appendix 2-G.
- b) Please update Table 2-9 and 2-10 (Outage by Cause Code) to include the year 2020.

2.0-VECC -10

Reference: Exhibit 2, DSP, pages 21-23

- a) Outages and hours of interruption by defective equipment are among the largest sources of outages. What are the most common equipment failures causing outages and how does the 2021 capital plan address these factors?

2.0-VECC -11

Reference: Exhibit 2, DSP, page 23

- a) Customer hours interrupted due to scheduled outages has increased since 2016. Please explain what steps are being taken by ERHDC to minimize interruption time during scheduled outages.
- b) Please describe how customers are informed about scheduled outages.

2.0-VECC -12

Reference: Exhibit 2, DSP, page 39-

- a) For each asset type listed in Table 3-3 please indicate how asset condition was determined, specifically: historical records asset age/ non-intrusive observation/sample physical testing/entire population tested.
- b) Please confirm (or correct) that no new asset condition assessment has occurred since *"the second quarter of 2015."*

2.0-VECC -13

Reference: Exhibit 2, Appendix 2-AA (Capital Projects Table)

- a) If not already, please update Appendix 2-AA to show 2020 actual capital expenditures.

2.0-VECC -14

Reference: Exhibit 2, Appendix 2-AA (Capital Projects Table)

- a) Please explain the reason Spanish River Drive underwent significant renewal of plant in 2020.
- b) Was the rear-lot replacement in this project “like-for-like” in the same location or was the line relocated?
- c) Was any overhead plant replaced by underground plant for this project?
- d) Did the Espanola Golf and Country Club provide any contribution-in-aid of construction for this project? If not please explain why not.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-15

Reference: Exhibit 3, page 3

Preamble: The Application states:

“In summary, as a starting point, ERHDC used the same regression analysis methodology approved by the Ontario Energy Board in its 2012 Cost of Service (“COS”) application (EB-2011-0319) and updated the analysis for actual power purchases to the end of the 2019. The updated regression analysis included heating and cooling degree days, spring fall flag, and number of days in the month.”

The Application also states: “No assumptions including economic assumptions were used.”

- a) Does the current Application use the same explanatory variables (i.e., heating and cooling degree days, spring fall flag, and number of days in the month) as the EB-2011-0319 Application?
- b) If the explanatory variables are not the same as those used in EB-2011-0319, please explain why.

3.0-VECC-16

Reference: Exhibit 3, pages 5-6
Load Forecast Model, Rate Class Energy Model Tab
Appendix 2-IA

Preamble: The Application states (page 5): "In the above Table 3-2, the billed GWh data from 2010 to 2019 reflects actual weather and weather normal conditions in each year."

The Application also states (page 5): "On a rate class basis, the actual and forecasted billed amounts are shown in Table 3-3. Actual volumes have been weather normalized by rate class using the weather normal conversion factor from Table 3-7."

- a) Table 3-2 only contains one column with GWh values. Are the values in this column the weather normalized values per the title of Table 3-2?
- b) Are the GWh values in Table 3-3 also weather normalized (Note: The totals match those in Table 3-2)?
- c) The historical consumption values in the Rate Class Energy Model Tab are presented as (actual) metered values. However, the values are the same as those in Tables 3-2 and 3-3 which are presented as weather normalized. Please reconcile.
- d) Neither the weather normalized or actual values in Appendix 2-IA match the values in Tables 3-2 or 3-3. Please reconcile.

3.0-VECC-17

Reference: Exhibit 3, page 5

Preamble: The Application states:

"Customer/Connection values are on an average basis and street lights and sentinel lights are measured as connections. The historical connection values for street lights have been measured as devices. For the 2020 Bridge Year and 2021 Test Year Street Lights have been updated from number of devices to number of connections."

- a) Please indicate how the historical average customer/connection counts for each class are determined (e.g., are they the average of the 12 monthly values for the class?).
- b) Please provide the 2020 customer/connection counts for each class as of June 30, 2020 and December 31, 2020.
- c) What is the basis for the Street Lights update from number of devices to number of connections (e.g., what analysis was undertaken and for what point in time)?

3.0-VECC-18

Reference: Exhibit 3, pages 3 & 9

Preamble: At page 3 the Application states: "The updated regression analysis included heating and cooling degree days, spring fall flag, and number of days in the month."

At page 9 the Application states: "The regression analysis also indicates that the number of customers are significant contributors to the total energy used in the ERHDC service area."

- a) Please reconcile the statement on page 9 with the fact that the regression model used does not include number of customers as an explanatory variable.
- b) Please provide an alternative load forecast where the number of customers is included as an explanatory variable.

3.0-VECC-19

Reference: Exhibit 3, page

Preamble: The Application states:

"The 2020 and 2021 weather normal purchases have been adjusted to include the impact of reduced consumption from the installation of new street lights. On a billed energy basis the average historical annual kWh for street lights from 2010 to 2013, of 616,182 kWh has been reduced to 224,919 kWh for 2020 and 2021 to reflect the consumption of the new energy efficient street lights installed during 2014 in the Town of Espanola and most recently August 2020 for the Township of Sables-Spanish River."

- a) How was the 222,919 kWh value for 2020 established?
- b) Over what period of time were street light conversions in the Township of Sables-Spanish made?

3.0-VECC-20

Reference: Exhibit 3, page 27
Appendix 2-H

Preamble: At page 27 the Application states: "ERHDC was previously charging the Town of Espanola \$18,136 for water billing collection. This is no longer included in revenue, as ERHDC is no longer performing these services for the Town of Espanola."

- a) In what USOA account were the revenues received from the Town of Espanola recorded?

- b) Were there any reductions in OM&A costs as a result of ceasing to provide these services? If not, why not? If yes, where in Exhibit 4 are these reductions evident?
- c) With respect to Accounts 4375 and 4380 please explain: i) why there are continuing revenues and expenses relate to CDM in 2020 and 2021 and ii) what the revenues and costs attributed to ATF were?
- d) Please provide the derivation of the \$85,356 in 2021 for pole attachment revenues.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -21

Reference: Exhibit 4, page 13

- a) Please update Appendix 2-JA and Appendix 2-JC (OM&A Programs) to include 2020 actual results (if not already).

4.0 -VECC -22

Reference: Exhibit 4, page 23

- a) What was the incremental in pole rentals costs in 2019?
- b)

4.0 -VECC -23

Reference: Exhibit 4, Appendix 2-JC

- a) Property insurance costs and injuries and damage costs have nearly tripled since 2012 (approximately 10k to 28k). Please explain the reasons.

4.0 -VECC -24

Reference: Exhibit 4, Appendix 2-K (Table 4-26)

- a) Of the 7.31 FTEs designated for 2021 how many of these are directly employed by ERHDC and how many are part of the PUC Services contract?
- b) What amount of the Service Fees (Schedule B) are included as compensation costs in Appendix 2-K for each year shown?

4.0 -VECC -25

Reference: Exhibit 4, page 13, Appendix 2-JC

SCHEDULE 'B' – FEES

Price Table

Price (*)	Year 1	Year 2	Year 3	Year 4	Year 5
Management Services	\$156,141.32	\$160,044.86	\$164,045.98	\$167,326.90	\$170,673.44
Customer Services	\$5.26/ meter/month	\$5.39/ meter/month	\$5.53/ meter/month	\$5.64/ meter/month	\$5.75/ meter/month
IT Server Hosting Services	\$7,500.00	\$7,687.50	\$7,879.69	\$8,037.28	\$8,198.03

Please Note: (*) Applicable taxes not included.

	June 1 2016: 2.75%	June 1 2017: 2.50%	June 1 2018: 2.50%	June 1 2019: 2.0%	June 1 2020: 2.0%
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- a) Please show where in Appendix 2-JC (OM&A Programs Table) the amounts charged under Schedule B of the PUC Services contract are found.

4.0 -VECC -26

Reference: Exhibit 4, pages 39-

Table 4 - 31 Regulatory Costs

Service	\$	Expense Included in Test Year
Legal and rates consulting expenses to complete the application	\$100,000	\$20,000
Consultant - completion of application, interrogatories, settlement conference, draft settlement and final order	\$282,539	\$56,508
Services related to the Distribution System Plan and Asset Management Plan	\$65,000	\$13,000
Legal and rates consulting expenses for the settlement conference	\$50,000	\$10,000
Intervenor expenses	\$50,000	\$10,000
OEB Costs	\$20,000	\$4,000
Settlement conference expenses	\$5,000	\$1,000
LRAM consulting services	\$10,000	\$2,000
	\$582,539	\$116,508

- a) Please provide the actual Board assessment cost for ERHDC for 2020.
- b) Please show the actual application costs (by category) incurred to date for Table 4-31

4.0 -VECC -27

Reference: Exhibit 4, page 42

- a) Please clarify – is ERHDC proposing to include \$2,000 for LEAP or .12% of the service revenue requirement (in the filing \$2,727)?

4.0 -VECC -28

Reference: Exhibit 4, pages 77-78
Appendix 4-K
LRAMVA Workform

- a) Based on the values used in the LRAMVA Workform please provide a summary of the historic CDM savings from 2011-2019 programs (total for all customer classes) in the following format:

Impact of Historical Annualized CDM (kWh)					
Calendar Year/ CDM Program Year	2011	Columns for Each Subsequent Year up to 2020			2021
2011 CDM Program Impacts					
Actual CDM impacts for each year to 2018 – one row per year					
2019 CDM Programs Impacts					
Total					

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-29

Reference: Exhibit 5

- a) Please confirm (or correct) that ERHDC has long-term loans in amounts in excess of the entire 2021 regulated rate base of the Utility (i.e., \$11,456,520 as compared to \$7,599,049).
- b) In addition to interest expenses are any amounts of principle due on any of the long-term loans in 2021?

5.0-VECC-30

Reference: Exhibit 5

- a) If ERHDC is over leveraged please explain why it is not more appropriate to calculate the long-term debt rate component by taking the lowest cost debt up to the point of notional long-term debt structure of \$4,255,467?
- b) Please recalculate the long-term debt rate based on the premise in (a), that is, that ERHDC is compensated at only for the lowest cost embedded up to an amount of \$4,255,467.

5.0-VECC-31

Reference: Exhibit 5, Table 5-1, page 4 / Exhibit 6, Table 6-1, page 3

- a) ERHDC has actual long-term debt interest costs of \$346,689. Only \$134,095 of interest costs, including short term funds, are recovered in rates. The difference, \$212,594 is almost the same as the entire return on equity being sought (i.e., \$253,504). This would indicate that ERHDC will not be able to achieve its Board approved rate of return on equity and in fact may have a financial loss. Given this please explain how the financial security of the utility is being maintained over the period of the rate plan.
- b) Please explain how the long-run financial viability of this Utility is being addressed.

5.0-VECC-32

Reference: Exhibit 5, Appendix 2-OB, (Table 5-3)

- a) Please amend Appendix 2-OB to show the start dates of all the notes.

5.0-VECC-33

Reference: Exhibit 5, Appendix 5-A

- a) Is the TD loan with ERHDC or North Bay Hydro?
- b) Please file the TD loan note.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)
N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –34

Reference: Exhibit 7, page 2
7-Staff-32 a)

Preamble: ERHDC is proposing the following weighting factors for Services (Account 1855):

Table 7 - 1: Service Weighting Factors

Rate Class	Factor
Residential	1.0
General Service < 50 kW	0.6
General Service > 50 kW	0.7
Sentinel Lighting	0.1
Street Lights	0.1
Unmetered Scattered Load	0.1

- a) If not addressed in the response to 7-Staff-32 a), please explain why the weightings for the GS<50 and GS>50 classes are less than those for the Residential class.
- b) If not addressed in 7-Staff-32 a), for each of the customer classes please explain to what extent: i) ERHDC owns the Services assets and is responsible for their maintenance, ii) ERHDC is responsible for part/all of the initial capital cost (i.e., whether the customer is responsible for any capital contributions) and iii) the customer is responsible for providing and maintain the Services assets.
- c) What is the basis for the \$130,272 in contributed capital assigned to Services (per Tab I4 of the Cost Allocation Model)?

7.0 – VECC –35

Reference: Cost Allocation Model, Tabs I6.2, I7.1 and I7.2

- a) The Residential, GS<50 and GS>50 customer counts in Tabs I7.1 (Meter Capital) and I7.2 (Meter Reading) don't match those in Tab I6.2 (Customer Data). Please reconcile.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 36

Reference: Exhibit 8, page 9
RTSR Workform, Tabs 3, 4 and 5

Preamble: The Application states: “ERHDC receives wholesale transmission service from metered points that are directly connected to the Hydro One grid. ERHDC is billed Uniform Transmission Rates by Hydro One on all capacity delivered through these points.”

- a) The application states that ERHDC is billed UTRs. However, Tab 5 of the RTSR Workform shows HON's RTSRs being used to bill ERHDC. Please clarify whether ERHDC is billed for transmission service: i) by the IESO using the UTRs or ii) by Hydro One using its RTSRs.
- b) Please confirm that the retail sales data by customer class in Tab 3 and the Units Billed data in Tab 5 are both based on the same year.

8.0 –VECC - 37

Reference: Exhibit 8, page 10 and Appendix 8-C

- a) Please confirm that the proposed Pole Attachment charge needs to be revised to reflect the Board's EB-2020-0288 Order.
- b) Does this revision impact the proposed 2021 revenues from Pole Attachment charges as set out in Exhibit 3?

8.0 –VECC - 38

Reference: Exhibit 8, pages 10-11

- a) Please explain how the 2020 and 2021 consumption values in Table 8-9.
- b) Please provide the equivalent of Table 8-9 but based on 2019 actuals.
- c) If available, please provide the equivalent of Table 8-9 based on 2020 actuals.

8.0 –VECC - 39

Reference: Exhibit 8, page 13

- a) Please explain how the Supply Facilities Loss Factor was calculated for each of the years 2015-2019.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -40

Reference: Exhibit 9, page

- a) Please provide the current balance in Account 1509 – Impacts Arising from the COVID-19 emergency.

9.0 –VECC -41

Reference: Exhibit 9, page

- a) When was the last time ERHDC disposed of its Group 1 DVAs?
- b) The RSVA - Retail Transmission Connection Charge balance has been systemically accumulating since 2014. Is this due to the RTSR charge systemically undercharging for this service?
- c) If yes, please explain why did ERHDC not seek to adjust the RTSR at an earlier date.

End of document